

# BUDGET LETTER

<b>SUBJECT:</b> SUBMISSION OF 2006-07 GENERAL FUND BUDGET CHANGE LETTERS (FINANCE LETTERS)	<b>NUMBER:</b> 06-02
<b>REFERENCES:</b> BUDGET LETTER 06-01	<b>DATE ISSUED:</b> February 3, 2006
	<b>SUPERSEDES:</b>

**TO:** Agency Secretaries  
Department Directors  
Departmental Budget Officers  
Departmental Chief Information Officers  
Department of Finance Budget Staff

**FROM:** DEPARTMENT OF FINANCE

While California continues on a path of economic growth and fiscal stability, there is still work to do in order to completely eliminate the state's remaining operating deficit. For this reason, any additional revenues identified as part of the May Revision will be used to reduce the projected 2007-08 operating deficit, to augment the reserve, to meet constitutional requirements, and/or to repay and pre-pay debt.

The 2006-07 Governor's Budget fully funds the state's workload budget while providing for a modest total reserve of \$613 million. When evaluating the spring Finance Letters, the Administration will reject any unnecessary or non-critical augmentation requests that would increase the operating deficit.

Therefore, as departments prepare spring Finance Letter requests, the Department of Finance (Finance) will not accept or consider any General Fund Finance Letter requests unless previously agreed upon between departments and Finance.

As stated in Budget Letter 06-01, the deadline for all non-capital outlay requests is February 14, 2006. Finance will not accept non-General Fund proposals unless they are of critical importance and cannot be deferred to the 2007-08 budget process.

If you have any general questions, please contact your Finance budget analyst. Contact your Office of Technology Review, Oversight, and Security manager or capital outlay analyst, respectively, for questions related to Information Technology or capital outlay requests.

/s/ Michael C. Genest

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Director